

ASSEMBLY BILL X4-26

Q: What is ABX4-26?

A: Three months after AB 1389 was found to be unconstitutional, legislators and the Governor approved budget bill ABX4-26 as part of the 2009 State budget. The bill authorized a \$2.05 billion seizure of local redevelopment funds – \$1.7 billion in Fiscal Year 2009-10 and another \$350 million in Fiscal Year 2010-11. The purpose of ABX4-26 is to fund the State's obligation to school districts as directed by Proposition 98 by transferring redevelopment funds.

CRA believes ABX4-26 is unconstitutional because the purpose of the bill is to help balance the State's budget, which does not qualify as a constitutionally-permitted use of redevelopment funds. Under ABX4-26, schools will not receive any additional money beyond that already guaranteed from the State. ABX4-26 simply shifts the obligation from the State to redevelopment agencies.

Q: What are we doing about ABX4-26?

A: The California Redevelopment Association ("CRA") filed a lawsuit on behalf of all California redevelopment agencies challenging the constitutionality of ABX4-26. Unfortunately, CRA lost the lawsuit and the Agency was required to make a Supplemental Revenue Augmentation Fund ("SERAF") payment totaling \$1,209,535 on May 10, 2010. However, CRA filed an appeal to overturn the initial ruling. Should the appeal remain unresolved, the Agency would be required to make a second payment next year of \$248,786.

Q: Given the enormity of the State's budget deficit, shouldn't redevelopment be asked to pitch in to solve the crisis?

A: The irony is that if redevelopment funds were left to be invested in communities, construction workers would be put back to work, suppliers would receive more orders, and small businesses would be assisted. That economic activity would also generate more taxes. Thus, redevelopment investments could be providing much-needed economic stimulus. Instead, the State's action serves to further slow the economy. Local governments are already facing severe financial hardships due to the down economy and have made difficult decisions locally to balance their own budgets, including laying off staff, eliminating community projects and cutting services.

Q: Will schools lose money the CRA appeal is successful?

A: No. Schools are constitutionally guaranteed a minimum funding level. ABX4-26 simply (and illegally) shifts the burden for funding schools from the State to redevelopment agencies. If we're successful, the State will have to provide funding to the schools as dictated by Proposition 98.

Q: How can we prevent this from happening in the future?

A: To address future challenges to redevelopment funding, the California Redevelopment Association (CRA) is working with member agencies to strengthen legal and political advocacy efforts to prevent the State from continually attempting to shift redevelopment funding through legislative action. To address future challenges to redevelopment funding and other local government revenues, volunteers throughout the State gathered over 1.1 million signatures to qualify a ballot initiative titled "Local Taxpayer, Public Safety and Transportation Protection Act" (Proposition 22) for the November 2010 ballot.